

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Burt Township	County Cheboygan
Fiscal Year End March 31, 2006	Opinion Date May 30, 2006	Date Audit Report Submitted to State June 14, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

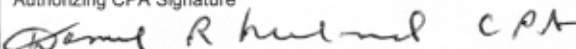
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Daniel R. Nieland C.P.A.		Telephone Number 231-627-4396	
Street Address 201 South Main Street		City Cheboygan	State MI
		Zip 49721	
Authorizing CPA Signature 		Printed Name Daniel R. Nieland C.P.A.	License Number 12250

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
CHEBOYGAN, MICHIGAN 49721
(231) 627-4396
FAX: (231) 627-6594

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Supervisor and Members Of
The Township Board of Trustees
Burt Township
Cheboygan County, Michigan 49721

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of Burt Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.


In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of Burt Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally in the United States of America.

As described in the footnotes, Burt Township has implemented a new financial reporting model, as required by the provisions of *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as amended and interpreted as of March 31, 2006.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated May 30, 2006, on my consideration of Burt Township's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Burt Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Burt Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, based on my audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CERTIFIED PUBLIC ACCOUNTANT

May 30, 2006
Cheboygan, Michigan 49721

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

The Management's Discussion and Analysis for Burt Township covers the Township's financial performance during the year ended March 31, 2006.

Financial Highlights

Our financial status remained stable over the last year. Net assets increased from \$466,377 to \$528,732 for an increase of \$60,720.

Overall revenue was \$327,334. Taxable value increased by approximately \$6,438,737. We incurred no new debt.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

Entity-Wide Financial Statements (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Cemetery Fund, and Liquor Law Enforcement Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Cemetery Fund and Liquor Law Enforcement Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$243,252
Cemetery Fund	2,145
Liquor Law Enforcement Fund	<u>413</u>
Total Government Fund Cash	<u>\$245,810</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2005</u>	Balance March 31, <u>2006</u>	Increase (Decrease)
General Fund	\$401,078	\$463,819	\$ 62,741
Cemetery Fund	2,429	2,145	(284)
Liquor Law Enforcement Fund	<u>304</u>	<u>413</u>	<u>109</u>
	<u>\$403,811</u>	<u>\$466,377</u>	<u>\$ 62,566</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$25,293. There was no long-term debt activity either new borrowing or principal repayment.

Significant Events – Past Fiscal Year

The Township has established an account in the general fund for purchase of property. The target property is on Burt Lake for public access.

The Planning Committee has completed an up-dated master plan for Burt Township. It also completely revised the Burt Township zoning ordinance to coordinate with the master plan.

New windows and storm doors were installed in the town hall.

The Township adopted a policy and procedure for public inspection and copying of public records to comply with Michigan's Freedom of Information Act. The Township adopted a Social Security Number Privacy Policy.

Factors Affecting Future Operations

- Resurface Indian Road from Brutus Road to the west side transfer station.
- Resurface Crump Road from Mullett-Burt Road to the east side transfer station.
- Improve the shoreline at the ends of Mullett-Burt Road and Mundt Road for improved boat launching.
- File grant to purchase Automark voting station for disabled voters through HAVA.
- Adopt a fee schedule for inspecting and copying public records.
- Consider promoting re-cycling in the future.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2006

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of Burt Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Elmira Weaver, Clerk, Burt Township at 2374 West Burt Lake Road, Brutus, Michigan 49716.

GENERAL PURPOSE FINANCIAL STATEMENTS

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Primary Government Government Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash Checking	\$ 5,126
Cash Savings	130,644
Cash Certificat es	110,040
Taxes Receivable	<u>222,202</u>
Total Current Assets	468,012
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Land	29,741
Buildings	53,813
Equipment and Furniture	15,088
Accumulated Depreciation	<u>(37,922)</u>
Total Non-Current Assets	<u>60,720</u>
Total Assets	<u><u>\$528,732</u></u>
LIABILITIES:	
Accounts Payable	<u>1,635</u>
Total Liabilities	1,635
NET ASSETS:	
Invested in Capital Asset, Net of Related Debt	60,720
Unrestricted	<u>466,377</u>
TOTAL NET ASSETS	<u><u>\$528,732</u></u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2006

					Net (Expense) Revenue And Changes In <u>Net Assets</u>
					<u>Primary Government</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
Legislative	\$ 34,150	\$ 0	\$ 0	\$ 0	\$ 34,150
Elections	392	0	0	0	392
General Services and Administration	92,218	0	0	0	92,218
Public Safety	43,464	0	0	0	43,464
Public Works	6,048	0	0	0	6,048
Sanitation	47,023	24,900	0	0	22,123
Planning & Zoning	36,094	0	0	0	36,094
Other	<u>8,291</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,291</u>
TOTAL GOVERNMENT ACTIVITIES	<u>267,680</u>	<u>24,900</u>	<u>0</u>	<u>0</u>	<u>242,780</u>
TOTAL PRIMARY GOVERNMENT	<u>\$267,680</u>	<u>\$ 24,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	242,780
GENERAL REVENUES:					
Taxes					219,082
Non-Business Licenses & Permits					4,699
State Shared Revenues					45,931
Interest and Rentals					15,589
Miscellaneous					12,748
TRANSFERS					<u>0</u>
TOTAL GENERAL REVENUES AND TRANSFERS					298,049
CHANGE IN NET ASSETS					55,269
NET ASSETS - BEGINNING					<u>473,463</u>
NET ASSETS - ENDING					<u>\$528,732</u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Total Government <u>Funds</u>
ASSETS:				
Cash Checking	\$ 2,568	\$ 2,145	\$ 413	\$ 5,126
Cash Savings	130,644	0	0	130,644
Cash Certificates of Deposit	110,040	0	0	110,040
Taxes Receivable	<u>222,202</u>	<u>0</u>	<u>0</u>	<u>222,202</u>
TOTAL ASSETS	<u>\$465,454</u>	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$468,012</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts Payable	<u>\$ 1,635</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,635</u>
Total Liabilities	1,635	0	0	1,635
FUND BALANCE:				
General Fund	463,819	0	0	463,819
Cemetery Fund	0	2,145	0	2,145
Liquor Fund	<u>0</u>	<u>0</u>	<u>413</u>	<u>413</u>
Total Fund Balance	<u>463,819</u>	<u>2,145</u>	<u>413</u>	<u>466,377</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$465,454</u>	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$468,012</u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$468,012
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>60,720</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$528,732</u>
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BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2006

	General <u>Fund</u>	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	Total Government <u>Funds</u>
REVENUE:				
Taxes	\$219,082	\$ 0	\$ 0	\$219,082
Non-Business Licenses And Permits	4,699			4,699
State Shared Revenue	45,931	0	385	46,316
Charges for Services	24,900	0	0	24,900
Interest & Rentals	15,589	0	0	15,589
Miscellaneous	<u>12,748</u>	<u>4,000</u>	<u>0</u>	<u>16,748</u>
Total Revenue	322,949	4,000	385	327,334
EXPENDITURES:				
Legislative	34,150	0	0	34,150
Elections	292	0	0	292
General Services and Administration	81,122	8,284	0	89,406
Public Safety	42,738	0	726	43,464
Public Works	6,048	0	0	6,048
Sanitation	47,023	0	0	47,023
Planning & Zoning	36,094	0	0	36,094
Other	<u>8,291</u>	<u>0</u>	<u>0</u>	<u>8,291</u>
Total Expenditures	<u>255,758</u>	<u>8,284</u>	<u>726</u>	<u>264,768</u>
OTHER FINANCING SOURCES:				
Transfers In	0	4,000	450	4,450
Transfers Out	<u>(4,450)</u>	<u>0</u>	<u>0</u>	<u>(4,450)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	62,741	(284)	109	62,566
FUND BALANCE - BEGINNING	<u>401,078</u>	<u>2,429</u>	<u>304</u>	<u>403,811</u>
FUND BALANCE - ENDING	<u>\$463,819</u>	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$466,377</u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 62,566
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	\$ 2,812	<u>2,812</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 59,754</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2006

	Current Tax Collection <u>Fund</u>
ASSETS:	
Cash	<u>\$213,583</u>
TOTAL ASSETS	<u>\$213,583</u>
LIABILITIES:	
Due Other Funds	<u>\$213,583</u>
TOTAL LIABILITIES	<u>\$213,583</u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Burt in Cheboygan, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

Burt Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of Burt Township includes all funds and accounts of the Township.

Discretely presented component unit:

The Mullett-Burt Cemetery is shown under Cemetery Fund. The fund is a joint venture between Mullett and Burt Townships. The Township's provide equal funding and has an independent board. Burt Township has historically reported this financial activity.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS

Burt Township's basic financial statements include both government -wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

funds). Both the government -wide and fund financial statements categorize primary activities as either governmental or business -type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. Burt Township does not have any activity that is classified as business -type activities.

In the government -wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government -wide Statement of Activities reports both the gross and net cost of each of Burt Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business -type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business -type activity) are normally covered by general revenue.

The government -wide focus is more on the sustainability of Burt Township as an entity and the change in net assets resulting from the current year's activities. The effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Cemetery Fund – The Cemetery Fund is used to account for financial resources to be used for expenditures related to the Cemetery for both Mullett and Burt Townships.
- Liquor Law Enforcement Fund – This is a State mandated fund to fund liquor establishment inspection.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government -wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/ expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government -wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as "GAAP Basis" are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	20 years
Building, Structures and Improvements	39 years
Equipment	5-12 years

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Interfund Activity

All interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – And Management’s Discussion And Analysis – For State And Local Governments* (GASB No. 34). Some of the significant changes in the Statement include the following:

- For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations.

- Financial statements prepared using full accrual accounting for the entire Townships’ activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>	<u>Savings</u>
General	\$ 2,568	\$130,429
Liquor	<u>198</u>	<u>215</u>
	<u>\$ 2,766</u>	<u>\$130,644</u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS
(continued)

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$102,145
Uninsured	<u>143,665</u>
	<u>\$245,810</u>

NOTE C – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2006</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ <u>4,508</u>	\$ <u>25,233</u>	\$ <u>0</u>	\$ <u>29,741</u>
Total Capital Assets, Not Being Depreciated	<u>4,508</u>	<u>25,233</u>	<u>0</u>	<u>29,741</u>
Buildings and Improvements	53,813	0	0	53,813
Furniture and Equipment	<u>15,088</u>	<u>0</u>	<u>0</u>	<u>15,088</u>
Total Capital Assets Being Depreciated	<u>68,901</u>	<u>0</u>	<u>0</u>	<u>68,901</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(26,480)	(1,079)	0	(27,559)
Furniture and Equipment	<u>(8,630)</u>	<u>(1,733)</u>	<u>0</u>	<u>(10,363)</u>
Total Accumulated Depreciation	<u>(35,110)</u>	<u>(2,812)</u>	<u>0</u>	<u>(37,922)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 38,299</u>	<u>\$ 22,421</u>	<u>\$ 0</u>	<u>\$ 60,720</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE C – CAPITAL ASSETS (continued)

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$ <u>2,812</u>
	\$ <u>2,812</u>

NOTE D - TRANSFERS

The following transfers were made between funds:

	<u>Transfers In</u>		<u>Transfers Out</u>
Cemetery Fund	\$ 4,000	General Fund	\$ 4,000
Liquor Law Enforcement Fund	<u>450</u>	General Fund	<u>450</u>
Total	<u>\$ 4,450</u>	Total	<u>\$ 4,450</u>

NOTE E – DEFINED CONTRIBUTION PENSION PLAN

Burt Township contributes to the Board Township Pension Plan, which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All Township employees participate in the plan from the date they are hired or elected. All contributions are subject to 100% vesting. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contribution because of 100% vesting.

The Township is required to contribute an amount equal to 7.0% of gross earnings.

During the year, the Township's required actual contributions amounted to \$9,134.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2006

NOTE E – DEFINED CONTRIBUTION PENSION PLAN (continued)

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE F – CONTINGENT LIABILITIES

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE G – BUDGET VARIANCES

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line item for information only. Therefore, negative variance is significant on the departmental basis. There are no negative variances on the departmental basis.

GENERAL FUND

BURT TOWNSHIP
GENERAL FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

ASSETS:

Cash	\$243,252
Due From Other Funds	213,583
Due From County	<u>8,619</u>
TOTAL ASSETS	<u>\$465,454</u>

LIABILITIES:

Accounts Payable	<u>\$ 1,635</u>
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TOTAL LIABILITIES	1,635
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GENERAL FUND BALANCE	<u>463,819</u>
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TOTAL LIABILITIES AND GENERAL FUND BALANCE	<u>\$465,454</u>
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BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Current Property Tax	\$195,761	\$219,082	\$ 23,321
Non-Business Licenses and Permits	4,000	4,699	699
State Revenue Sharing	40,000	45,931	5,931
Charges of Service Fees	20,000	24,900	4,900
Interest Earnings	1,000	15,589	14,589
Other Revenue	<u>6,000</u>	<u>12,748</u>	<u>6,748</u>
 TOTAL REVENUE	 266,761	 322,949	 56,188
EXPENDITURES:			
Legislative:			
Township Board	<u>41,000</u>	<u>34,150</u>	<u>6,850</u>
 Total Legislative	 41,000	 34,150	 6,850
Executive:			
Supervisor	<u>18,600</u>	<u>18,077</u>	<u>523</u>
 Total Executive	 18,600	 18,077	 523
Elections:			
Elections	<u>1,000</u>	<u>292</u>	<u>708</u>
 Total Elections	 1,000	 292	 708
General Services Administration:			
Clerk	16,200	15,343	857
Board of Review	3,000	2,028	972
Treasurer	20,600	19,835	765
Township Hall	14,500	14,348	152
Assessor	<u>12,000</u>	<u>11,491</u>	<u>509</u>
 Total General Services	 66,300	 63,045	 3,255

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Total Fire Protection:			
Fire Protection	<u>\$ 45,000</u>	<u>\$ 42,738</u>	<u>\$ 2,262</u>
Total Fire Protection	45,000	42,738	2,262
Public Works:			
Highways, Streets and Bridges	43,000	6,048	36,952
Public Improvements	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Public Works	45,000	6,048	38,952
Sanitation:			
Sanitary Landfill	<u>52,000</u>	<u>47,023</u>	<u>4,977</u>
Total Sanitation	52,000	47,023	4,977
Planning:			
Planning and Zoning	<u>45,000</u>	<u>36,094</u>	<u>8,906</u>
Total Planning	45,000	36,094	8,906
Other Functions:			
Legal and Professional	15,000	2,425	12,575
Insurance and Bonds	5,500	4,451	1,049
Other	<u>5,000</u>	<u>1,415</u>	<u>3,585</u>
Total Other	25,500	8,291	17,209
TOTAL EXPENDITURES	<u>339,400</u>	<u>255,758</u>	<u>83,642</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	\$ (72,639)	\$ 67,191	\$139,830
TRANSFER TO OTHER FUNDS	<u>(8,500)</u>	<u>(4,450)</u>	<u>4,050</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (81,139)</u>	62,741	<u>\$143,880</u>
FUND BALANCE APRIL 1, 2005		<u>401,078</u>	
FUND BALANCE MARCH 31, 2006		<u>\$463,819</u>	

SPECIAL REVENUE FUNDS

CEMETERY FUND – to account for monies raised specifically for the operations of a cemetery.

LIQUOR LAW ENFORCEMENT FUND – to account for monies used for activities relating to Liquor Law Enforcement. Financed by return of a portion of liquor license fees paid to the State.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2006

ASSETS

	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Total</u>
ASSETS:			
Cash	\$ 2,145	\$ 413	\$ 2,558
TOTAL ASSETS	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$ 2,558</u>
LIABILITIES	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE	\$ 2,145	\$ 413	\$ 2,558
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$ 2,558</u>

The accompanying notes are an integral
part of these financial statements.

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2006

	Cemetery <u>Fund</u>	Liquor Law Enforcement <u>Fund</u>	<u>Total</u>
REVENUE:			
State Shared Revenue	\$ 0	\$ 385	\$ 385
From Other Local Governments	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Total Revenue	<u>4,000</u>	<u>385</u>	<u>4,385</u>
EXPENDITURES:			
General Services Administration	8,284	0	8,284
Law Enforcement	<u>0</u>	<u>726</u>	<u>726</u>
Total Expenditures	<u>8,284</u>	<u>726</u>	<u>9,010</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(4,284)	(341)	(4,625)
TRANSFERS FROM OTHER FUNDS	4,000	450	4,450
TRANSFERS TO OTHER FUNDS	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(284)	109	(175)
FUND BALANCE – BEGINNING OF YEAR	<u>2,429</u>	<u>304</u>	<u>2,733</u>
FUND BALANCES – END OF YEAR	<u>\$ 2,145</u>	<u>\$ 413</u>	<u>\$ 2,558</u>

CEMETERY FUND

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
CEMETERY FUND
BALANCE SHEET
FOR THE MARCH 31, 2006

ASSETS

Cash	\$ <u>2,145</u>
TOTAL ASSETS	\$ <u>2,145</u>
CEMETERY FUND	\$ <u>2,145</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
From Other Local Governments	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 0</u>
Total Revenue	4,000	4,000	0
EXPENDITURES:			
General Services Administration:			
Cemetery	<u>9,000</u>	<u>8,284</u>	<u>716</u>
Total General Services	<u>9,000</u>	<u>8,284</u>	<u>716</u>
Total Expenditures	<u>9,000</u>	<u>8,284</u>	<u>716</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFER	(5,000)	(4,284)	716
TRANSFER:			
From Other Funds	<u>4,000</u>	<u>4,000</u>	<u>0</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,000)</u>	(284)	<u>\$ 716</u>
FUND BALANCES – APRIL 1, 2005		<u>2,429</u>	
FUND BALANCES – MARCH 31, 2006		<u>\$ 2,145</u>	

LIQUOR LAW ENFORCEMENT FUND

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
LIQUOR LAW ENFORCEMENT FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2006

ASSETS

Cash	<u>\$ 413</u>
TOTAL ASSETS	<u>\$ 413</u>
 LIABILITIES	 <u>\$ 0</u>
Total Liabilities	0
 FUND BALANCE	 <u>413</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 413</u>

BURT TOWNSHIP
CHEBOYGAN COUNTY, MICHIGAN
LIQUOR LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDING MARCH 31, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
State Shared Revenue	\$ 523	\$ 385	\$ (138)
Total Revenue	523	385	(138)
EXPENDITURES:			
Law Enforcement:			
Salary	700	642	58
Retirement	<u>84</u>	<u>84</u>	<u>0</u>
Total Expenditures	<u>784</u>	<u>726</u>	<u>58</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES BEFORE TRANSFERS	(261)	(341)	(80)
TRANSFER FROM OTHER FUNDS	<u>500</u>	<u>450</u>	<u>(50)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 239</u>	109	<u>\$ 130</u>
FUND BALANCE – APRIL 1, 2005		<u>304</u>	
FUND BALANCE – MARCH 31, 2006		<u>\$ 413</u>	

OTHER

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To The Supervisor and Township Board of Trustees
Burt Township
Cheboygan County, Michigan

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Burt Township of Cheboygan County, Michigan, as of and for the year ended March 31, 2006, and have issued my report thereon dated May 30, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burt Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated May 30, 2006.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Burt Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

Burt Township
Page 2
May 30, 2006

within a timely period by employees in the normal course of performing their assigned functions. I noted matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts/disbursements and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

This report is intended solely for the information and use of the audit committee, management and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721
May 30, 2006

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

201 SOUTH MAIN STREET
CHEBOYGAN, MICHIGAN 49721
(231) 627-4396
FAX: (231) 627-6594

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

May 30, 2006

Burt Township
Township Board
Cheboygan County, Michigan

Re: Comments and Recommendations

I have examined the general purpose financial statements of Burt Township, Cheboygan County, for the year ended March 31, 2006, and have issued my report thereon dated May 30, 2006.

My examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing my examination, I made a study and evaluation of the internal accounting controls of Burt Township, Cheboygan County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because I am not relying on the entity's internal accounting control procedures to restrict my substantive tests, my study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, I do not express an opinion on the system of internal accounting control taken as a whole. Also, my examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

Comments:

In the Management's Discussion and Analysis, the Township has identified future road improvements. The Board may wish to consider establishment of a Road Fund to segregate and earmark funds for that purpose.

Burt Township
Page 2
May 30, 2006

I found no other items during the examination worthy of note and would like to thank both Mrs. Weaver and Mrs. Reimann for the excellent job that they have done on record keeping and the assistance they have shown me during the audit. If there are any questions regarding this letter or the audited statement, please don't hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel R. Nieland".

Daniel R. Nieland, C.P.A.

DRN/jb

DANIEL R. NIELAND

CERTIFIED PUBLIC ACCOUNTANT

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AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

SUPPLEMENTAL MANAGEMENT COMMUNICATION

To the Supervisor and Township Board
Burt Township
Cheboygan County, Michigan

I have audited the financial statements of Burt Township for the year ended March 31, 2006, and have issued my report thereon dated May 30, 2006. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under General Accepted Auditing Standards

As I stated in my engagement letter, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected.

As part of my audit, I considered the internal control structure of the Township. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of my engagement, I will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005/2006. I noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not, resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, my professional standards require the consulting accountant to advise me to determine the consultant has all the relevant facts. There were no such consultations with other accountants.


Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in the performance of my audit.

This information is intended solely for the use of the Township Board and management of Burt Township and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANT

Cheboygan, Michigan 49721
May 30, 2006